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Progress Report



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Charter School Management Strengthened, But Improved Academic Accountability Needed

at a glance

The Florida Legislature has implemented our prior report's recommendations to improve charter school management. Specifically, the Legislature doubled charter schools' annual funding rate, exempted charter schools from ad valorem taxes, and strengthened the oversight responsibility of charter school governing boards.

The department has also taken some steps to address our recommendations, but more action is needed to establish academic accountability for charter schools. School districts and the Department of Education still cannot demonstrate whether charter schools improve student performance.

The financial condition of charter schools has improved. Independent auditors reported that 82% of charter schools ended the 1999-00 fiscal year with a positive fund balance.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken by the Department of Education in response to a 2000 OPPAGA report.^{1,2} This report presents our assessment of the extent to which the department has addressed the

findings and recommendations included in our report.

Background

In 1996, the Florida Legislature authorized charter schools as part of the state's program of public education (Ch. 96-186, *Laws of Florida*). The Legislature authorized the creation of charter schools to improve student learning, increase teaching innovation, provide students and parents more choice, increase accountability, and provide competition within the public school system.

Charter schools are publicly funded, nonsectarian schools that operate under contracts (charters) from their local school boards. They are largely independent of the school districts and are managed by their own governing boards. Charter schools are open to all students and often offer specialized curricula that stress science, the arts, and/or programs for at-risk students.

Charter schools may be organized by individuals and groups, school personnel, universities, municipalities, or legal entities organized under the laws of Florida.³ The organizing group must form a governing

¹ Section 11.45(7)(f), *F.S.*

² *Charter Schools Need Improved Academic Accountability and Financial Management*, [Report No. 99-48](#), April 2000.

³ A university may grant a charter to a developmental research school created under s. 228.053, *F.S.* In considering such charters, the state university must consult with the district school board of the county in which the developmental research school is located.

board that negotiates a contract with the district school board. This contract delineates expectations of both parties regarding the school's academic and financial performance. The charter school must periodically apply to the district school board to renew its charter.⁴

The numbers of charter schools and the children they serve continues to grow. Since their inception in 1996 with five schools serving 600 students, charter schools have grown to 185 serving over 41,000 students in 37 school districts in 2001-02.

Charter schools are funded like other public schools in Florida, receiving funds based on the number of full-time equivalent (FTE) students enrolled. For the 2001-02 school year, charter schools account for 1.7% of statewide Florida Education Finance Program base funding. School districts retain 5% of the FTE funding generated by charter schools to cover district administrative costs for managing the charter contract and collecting and reporting required data to the state.

In addition, charter schools are eligible to receive fixed capital outlay funding. Charter schools receive this funding based on their enrollment and number of student stations. The Legislature appropriated 12.6% (\$27.7 million) of the Public Education Capital Outlay and Debt Service Trust Funds for charter school facility construction and maintenance in 2001-02.

Prior Findings

Charter schools needed improved academic accountability

Our prior report found that school districts and the department could not demonstrate to what extent charter schools improved student performance. Few charter schools were graded because the A+ Plan was not designed to cover very small schools and

⁴ Charters may be renewed for up to 15 years, and further renewals may be granted after reviews at that time.

those with special student populations that smaller charter schools typically serve.

Further, the districts' contracts with charter schools lacked sufficient requirements to hold charter schools accountable for improving student performance, such as establishing baseline performance and setting clear measurable objectives upon which to measure and compare student progress. Due to these accountability weaknesses, there was little useful information available to assess the academic progress of charter school students.

Charter schools needed improved financial management

On average, charter schools spent about 54% of their operating expenditures on classroom instruction, which included activities dealing directly with teaching students, compared to 65% spent by other public schools. This was likely due to charter schools being small entities that had not benefited from economies of scale.

In 1998-99, most (71%) charter schools performed well on three or more of six financial indicators. However, nine charter schools performed well on only two or fewer financial indicators.⁵

Barriers existed to opening and/or operating charter schools

We identified six barriers to the opening and/or operating of charter schools.

Local school districts were required to approve charter schools, which gave them the power to block or complicate charter school creation.

The oversight roles of charter school governing boards were unclear. Governing board members were often unsure of their responsibilities and lacked the information

⁵ We examined whether the schools had positive fund balances, had accurate revenue projections, spent within their budgets, spent within revenues, had sound controls to safeguard finances, and had continuing demand for their services.

and expertise needed to oversee their school's operations and performance.

Charter schools could have difficulty in obtaining start-up funds for facilities and operations.

Many charter school operators were inexperienced and unprepared for the complexities of setting up and running charter schools.

Statutory application deadlines could restrict the application process and not allow sufficient time to plan and prepare for successful charter school openings.

The statutory cap on the number of charter schools could limit future growth in charter schools, as some districts were nearing the limit.

Status of Recommendations

The Legislature has implemented our prior report's recommendations for statutory changes and made further enhancements to the charter school innovation. Chapter 2000-306, *Laws of Florida*, provides that charter school applications may be received on or before October 1 of each calendar year, that charter schools are exempt from ad valorem taxes, and prohibits unlawful reprisals against school district employees who wish to start a charter school. The law also authorized charter school applicants to request increases in the district cap on the number of charter schools, increased the capital funding provided to charter schools, and created a conversion charter school pilot program. To facilitate private funding, the law provided for the satisfaction of liens or encumbrances before charter school property could be reverted to the district.

The 2001 Legislature enacted Ch. 2001-86, *Laws of Florida*, providing that the charter school governing bodies must exercise

continuing oversight and make annual progress reports to their sponsors. This law requires districts to provide reasons if they deny applications for charter schools, specifies that conversion charter schools may retain maintenance funds, and exempts charter schools from district policies. Also, charter school governing boards must annually determine school capacity, and may apply to the Commissioner of Education for waivers.

The department has addressed some of our recommendations, but needs to take further action to establish academic accountability for charter schools and improve their financial management.

Although required by law since 1996, the department still has not published a report that analyzes and compares the overall performance of charter school students to comparable public school students in the district. The department reports that school districts are providing charter schools with student academic performance data for incoming students as well as rates of academic progress of comparable student populations in the district school system. However, charter schools are not reporting their students' progress compared to similar students in the district school system in a suitable manner for the department to compile a report of charter school students' progress.

The department, through a contract with the Florida Charter School Resource Center, has developed a model that could be replicated statewide to compare charter school student progress to similar students in the district school system. The preliminary analysis indicates charter school student performance is not significantly different from that of comparable students in the district school system, with a few exceptions in which charter school students performed better or worse than their counterparts.

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The department is also contracting with the Florida Charter School Consortium for the Florida Leadership for Electronic Access to Data for Schools (LEADS) project. The LEADS project is intended to use annual test data to measure student learning gains for each student in a charter school. The department reports that by June 2002, Florida LEADS will enable the department to report statewide charter school student's academic progress. The department is also contracting with Florida State University to establish the Florida Accountability Center for Education by June 2002 to help charter schools succeed with greater accountability.⁶

The department has also contracted with the Florida Charter School Resource Center to share charter school and school district best practices in setting measurable objectives for gauging charter school student performance. The department is also encouraging best practices dissemination through the Federal Public Charter Schools Dissemination Grant Program and the Florida Charter School Mentors Program by which successful charter schools assist other charter schools to improve. Recently, a best practice manual was developed, including sections on accountability, finance, governance, and the role of the sponsor.

The department also contracted with the Florida Charter School Resource Center to provide technical assistance to charter school operators, governing boards, and district staff and the department participated at annual

charter school conference sessions specifically targeting charter school issues including governance and oversight responsibilities.

The department reports that its annual charter school conferences provide special training sessions for charter schools and school district personnel in financial management. Since OPPAGA's report in 2000, charter schools' financial condition improved. OPPAGA's analysis of charter schools' 1997-98 annual financial audit reports found that 71% (22 of 31) had positive fund balances. The Auditor General's recent review of charter school annual financial audit reports indicates 82% (85 of 104) of charter schools ended the 1999-00 school year with positive fund balances.⁷ Only 18% (19) of charter schools ended the 1999-00 fiscal year with a deficit fund balance.

The Auditor General recommended that the law require the charter school auditors to notify the charter school governing board if there is a deficit financial position. We continue to recommend that the department develop key indicators and specific measures of charter school financial performance to help school districts and charter school governing boards monitor and respond to changes in charter schools' financial conditions.

⁶ Two Florida State University professors, Dr. Robert Crew and Dr. Tim Sass, also expect to publish an evaluation of Florida charter schools.

⁷ *Report on Significant Findings and Financial Trends Identified in Charter School Audit Reports Prepared by Independent Certified Public Accountants*, [Report No. 02-082](#), November 2001.

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